Summary Plan Description

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Chapter 1 The Savings Plus Program

The State of California's Savings Plus Program (Savings Plus) allows state employees to enhance their retirement benefits through tax-deferred payroll deductions. Savings Plus offers two deferred compensation plans: a 401(k) Plan and a 457 Plan, which are referred to as the plan or plans throughout this document.

Advantages of 401(k) and 457 Plans

A deferred compensation plan allows you to deposit money from your paycheck into a special account as a part of the 401(k) Plan or the 457 Plan or both. What is special about these accounts is that you generally do not pay taxes on this deferred salary or on any interest, dividends, or other gains it earns until you withdraw the funds, generally during retirement.

These plans allow you to put money away for retirement and reduce the amount of taxes you pay while you are working. The money is allowed to grow tax-free through a variety of investment choices. Savings Plus offers a wide range of investment choices. You choose what's best for you.

Even if you expect to receive a pension when you retire, you should consider Savings Plus as a resource to round out your financial plan. Your pension, including payments from the California Public Employees' Retirement System (CalPERS) and from other governmental programs, such as Social Security, may not provide as much retirement income as you will need.

Not an Ordinary Savings Account

Tax-deferred programs were created as long-term investment vehicles for employees to generate supplemental income for retirement. Therefore, your Savings Plus accounts are not like ordinary savings accounts that you may access whenever you like. You may withdraw funds from your Savings Plus accounts only under certain circumstances, and there may be an additional 10% tax if you withdraw the funds before you reach age 59½.

Rather, the money you put in these accounts is intended to be there when you retire. Consider carefully how much of your income you can contribute to your accounts. Everyone wants a financial cushion to meet short-term needs, and that money should be in a more easily accessible place, not in Savings Plus.

In addition to reviewing this handbook and the Savings Plus Web site (*www.sppforu.com*), you may wish to consult a tax advisor for personal assistance.

A Savings Plus account may offer significant advantages for funding your retirement income and lowering your taxes. Here's how:

- Once you enroll in one or both of the Savings Plus plans, you may contribute a portion of your regular pay, before it's subject to federal or state income tax, to an account in the 401(k) Plan or the 457 Plan or both. Your deferral is automatically made for you through the payroll system. That deferred salary is

Savings Plus administers both the 401(k) Plan and the 457 Plan. In this handbook, we also refer occasionally to the 403(b) plan, also known as a tax-sheltered annuity (TSA), because some state employees may be enrolled in the 403(b) plan. It's a type of retirement savings plan available to certain employees in the education field. For more complete information on the civil service (state) 403(b) TSA, visit the State Controller's Office Web site (*www.sco.ca.gov* under "State Employees") or check with your personnel office. If you're a California State University employee, contact your campus benefits office.

Social Security Information

You can obtain an estimate of your Social Security benefits by requesting a copy of Form SSA-7004, Request for Social Security Statement, from the Social Security Administration. The telephone number is (800) 772-1213. The Web site (*www.ssa.gov*) includes forms for requesting information that you can download.

then invested in one or more of several investment options that you choose from the Savings Plus portfolio.

- Over time, your investment has the opportunity for tax-deferred growth. It may build up your retirement savings (depending on the performance of your investment choices) faster than is possible with ordinary savings programs, where gains are taxable as they are earned. With the plans, you don't pay federal or state income taxes on your deferred salary or the earnings or losses it generates until you withdraw those funds, generally during retirement.

For example: Assume that you earn $24,000 per year and pay 15% of your gross (pretax) income in federal tax and 5% of your gross income in state tax. If you want to save money for your retirement by investing $50 of your gross salary each month, you will have $10 more to invest each month if you choose Savings Plus than if you choose an ordinary savings account. This extra $10 per month that you save by not paying taxes at the time you earn it could grow significantly over time.

This is a major tax advantage to you. You will have delayed your tax payments on deferrals to the plans. The taxes on any gains are also deferred. Although you will have to pay federal and state income taxes on those funds when you withdraw them, you may be in a lower tax bracket at that time. Thus, these plans might allow you to pay a lower rate of taxes later.

You're in Charge

Savings Plus puts you in control of how you achieve financial independence at retirement. You decide:

- How much of your paycheck you want to contribute to the plans, subject to the rules set by the Internal Revenue Service;
- How your deferrals and their gains are invested;
- How often to revise your investments as your retirement goals change over time; and
- When and how to withdraw funds from your account, subject to federal requirements and Savings Plus policy.

This Handbook Makes It Easy

This handbook is a summary description of the plans to help you understand the rules and policies of the Savings Plus Program and the various choices available to you as a participant. A free copy of the official plan documents, which are more technical and contain the legal details of the plans, is available on the Savings Plus Web site (*www.sppforu.com*) or by calling (866) 566-4777 and pressing *0 to speak with a customer service representative. If there is a conflict between the terms of this *Summary Plan Description* and the official plan documents, the terms of the official plan documents will govern.

This handbook explains:

- The major features of the 401(k) and 457 plans offered through Savings Plus;
- The types of investments available to you through Savings Plus (the *Investment Guide* provides more detailed information on your investment choices);
- Your responsibilities in managing your Savings Plus account; and
- The payout options available to you when you retire or separate.

Because of the federal and state pension reform changes that became effective in 2002, there are now fewer differences between the 401(k) Plan and the 457 Plan. Use this handbook to choose the plan that fits your needs. You may enroll in one or both plans.

Note: You can access detailed information about the material in this handbook—including information about any changes to plan provisions—at the Savings Plus Web site (*www.sppforu.com*). The Web site also provides additional information to assist you in setting up and managing your account.

Restrictions on Eligibility

The following employees are not eligible to enroll in Savings Plus:

- Part-time, seasonal, and temporary employees. Because of eligibility restrictions mandated by state law, Savings Plus administers a separate, mandatory retirement program for certain part-time, seasonal, and temporary (PST) employees. These employees may be in multiple positions with the state and/or the California State University (CSU) system and are not covered by Social Security or CalPERS.
- Retired annuitants. These are employees who have retired, are employed on a temporary basis, and are receiving a retirement allowance or are not currently accruing a benefit or service credit under the California Public Employees' Retirement System, Judges' Retirement System, or Legislative Retirement System.
- Employees of the University of California.
- Leased employees and independent contractors.

For more information, call Savings Plus at (866) 566-4777 between 8:30 a.m. and 4:00 p.m. (PT) weekdays or visit our Web site (*www.sppforu.com*).

Beneficiary Information

After you enroll you will receive an information kit that includes a Beneficiary Designation Form that you must fill out and return. This form provides information on who should receive your assets upon your death. If you don't submit a completed Beneficiary Designation Form, your rights and those of your intended beneficiaries may be jeopardized.

Each plan—401(k) and 457—requires a separate designation form. So if you enroll in both plans you must submit a form for each plan.

Who Makes Savings Plus Work for You?

The Department of Personnel Administration administers the Savings Plus Program in accordance with the Internal Revenue Code and Regulations and California State law. JP Morgan Chase Bank, N.A. serves as trustee for the program.

Nationwide Retirement Solutions, Inc., the third-party administrator for Savings Plus, mails quarterly statements to participants in the plans and sends payments to them, maintains the Savings Plus Program's Web site, and manages the Savings Plus automated phone system.

Chapter 2 Understanding Each Plan's Features

YOU may enroll in a 401(k) Plan or a 457 Plan or both. Each plan has certain advantages and limitations, but both offer the same investment choices. Table 2-1 illustrates the annual normal deferral limits for the two plans, and the pages that follow provide further detail. Review the features of each plan carefully to decide which plan works best for you.

Up until 2002, there were significant differences between the two plans. Now, thanks to major reforms in pension law, the plans are very similar. The few remaining differences are described in this chapter, along with the features common to both plans. The same investment choices are available to enrollees in both plans.

Note: You may not transfer money from the 401(k) Plan to the 457 Plan or vice versa. Once you contribute money to one of these plans, it must remain in that plan until eligible for distribution.

Rollovers to Savings Plus Accounts

You may request a rollover into your current 401(k) Plan from a former employer's plan meeting the IRS definition of *qualified*. You also may request a rollover into your 457 Plan from a prior employer's eligible 457 plan.

For more information, contact Savings Plus at (866) 566-4777 to request the required materials or download the form from *www.sppforu.com*.

Annual Deferral Limits

The Internal Revenue Service limits how much you may defer annually to your 401(k) and/or 457 plan. Table 2-1 shows the annual limits on normal deferrals. Exceeding the annual cap is called overdeferring. You are responsible for knowing the limits and avoiding overdeferring, which can have adverse tax consequences.

New federal and state pension laws now allow you to contribute up to these annual limits to both the 401(k) Plan and the 457 Plan as long as your total deferrals to both plans don't exceed 100% of your annual compensation. *Compensation* means your gross salary, including payment for accrued but unused vacation.

Neither Savings Plus nor Nationwide Retirement Solutions provides tax advice. If you have questions about how these limits apply to you, you should consult a tax advisor. If you also contributed to a 403(b) plan during the year—it's a type of plan available to employees in the education field—your 401(k) normal deferral limit for that year is reduced by the amount you contributed to your 403(b) plan.

If you contribute to a 457 plan during the same year you were automatically enrolled in the PST Program (the retirement program

Table 2-1
Annual Normal Deferral Limits for 401(k) and 457 Plans

Tax year	*All 401(k) plans in which you participate*	*All 457 plans in which you participate*	*Maximum normal deferrals to all 401(k) and 457 plans*
2007	15,500	15,500	31,000
Thereafter	Indexed for inflation		

for part-time, seasonal, and temporary state employees), your 457 normal deferral limit for that year is reduced by the amount deducted from your salary for the PST Program.

Annual Age-Based Deferral Limits

You may contribute to your plan account(s) an amount in excess of the normal deferral limits beginning in the year you reach age 50. This additional amount is called an age-based deferral. For 2007 , if you're 50 or older, you may contribute up to $5,000 over the annual limits shown in Table 2-1, for a total of $20,500 to each plan. The annual age-based deferral limits are set forth in Table 2-2.

Catch-up Deferrals—457 Plan Only

The 457 Plan has a special provision that allows you to exceed the annual limits listed in Table 2-1 and Table 2-2 to catch up on deferrals you underutilized in prior years. You may make these "catch-up" deferrals if:

- You were eligible to defer to the 457 Plan in prior years but either weren't enrolled or did not defer the maximum to the 457 Plan—taking into account your 401(k) and/or 403(b) deferrals (if any) that limited your ability to contribute the 457 Plan maximum for that year; and
- You are at least 47 years of age.

The amount you may defer as a catch-up deferral each year is limited to the lesser of the amount shown in Table 2-3 under "Maximum 457 annual deferral limit with catch-up limit" or your underutilized amount. In general, your underutilized amount is calculated on the basis of the amount of 457 deferrals you were eligible to make in prior years minus your actual deferrals.

Please see the Catch-up Booklet for a thorough explanation of this provision. Or call Savings Plus at (866) 566-4777 between 8:30 a.m. and 4:00 p.m. Pacific

Table 2-2
Annual Age-Based Deferral Limits for 401(k) and 457 Plans

Tax year	*All 401(k) plans in which you participate*	*All 457 plans in which you participate*	*Maximum normal deferrals to all 401(k) and 457 plans*
2007	5,000	5,000	10,000
Thereafter	Indexed for inflation		

Note: You may not contribute the additional age-based deferral amount to the 457 Plan in any year in which you participate in the 457 catch-up deferral provision described above. However, you may participate in the 401(k) age-based deferral.

Table 2-3
Annual 457 Deferral and Catch-up Limits

Tax year	*457 annual deferral limit*	*Potential catch-up limit*	*Maximum 457 annual deferral limit with catch-up limit*
2007	15,500	15,500	31,000
Thereafter	Indexed for inflation		

time (PT) weekdays or visit our Web site (*www.sppforu.com*). Your participation in the catch-up provision must be approved by Savings Plus before you increase your deferrals.

There are some restrictions in utilizing the catch-up provision:

- All catch-up deferrals must be deposited in your 457 Plan account.
- You may make catch-up deferrals for only three calendar years. This period may not be extended even if you stop making catch-up deferrals for a portion of the three plan years. (If you are called to duty in the United States military service while making catch-up deferrals, you should contact Savings Plus.)
- You may not make catch-up deferrals during the year in which you retire.

Lump-Sum Payments

If you retire or separate from state service and are entitled to a lump-sum payment for unused leave, you may transfer a designated amount from that payment to your Savings Plus account(s). (You may also transfer it to a 403[b] plan sponsored by the State of California.) Normally, if you cash out unused leave, the payment is taxable; but if you transfer it to your Savings Plus account(s), you won't owe taxes on it until you withdraw the funds.

The amount you transfer, combined with your other plan deferrals for that tax year, must not exceed the annual deferral limit for that year.

You may postpone transfer of this payment to your plan account(s) with certain limitations. You may postpone it to the following year only if your leave time would extend beyond the November pay period. Only the post-November time may be postponed.

If you choose to transfer only a portion of your unused leave credit to your plan account(s), your employer must pay you the remaining cash amount upon your retirement or separation.

To make this transfer, you must submit a written request to your employer at least five business days before your final day of employment. Consult the Request to Transfer Lump-Sum Separation Pay Booklet. You must be enrolled in the 401(k) Plan and/or 457 Plan, but you don't have to be contributing prior to separation.

Loans

You may borrow from your 401(k) account and/or 457 account. The following provisions apply separately to both plans. Two types of loans are available––General Purpose and Primary Residence. You may have one outstanding loan of each type from each plan at any given time. However, the amount that you borrow from one plan will affect the maximum amount that you may borrow from the other plan. (See the accompanying chart for more specific information on loans.) A $50 loan initiation fee is deducted from your loan amount for each loan issued. The loan amount is taken proportionately from all investments in your core account.

It takes approximately two pay periods for your loan repayments to start. Then your repayments will be deducted, after tax, each month from your paycheck and posted to the same investment option(s) to which you currently contribute. If there's no investment choice on file, the loan repayment posts to the SPP Cash Managed Fund (described in the Savings Plus *Investment Guide*). If you're paid semimonthly, your loan repayments will be deducted on a monthly basis from your last paycheck of the month. When you've paid off your loan in full, your paycheck deductions cease.

You may pay off your loan in full at any time without an early repayment penalty. Partial payoffs are not allowed. Payments other than those submitted through payroll deduction must be made by certified check or bank check and sent directly to the Savings Plus third-party administrator, Nationwide Retirement Solutions.

If you have a Schwab Personal Choice Retirement Account (PCRA) (see Chapter 3), be aware that you may take a loan from your core account only. You must transfer funds from your Schwab PCRA to your core account if these funds are needed for the loan.

To request a loan, call Savings Plus at (866) 566-4777 and follow the prompts to "model a loan"; or log on to our Web site at *www.sppforu.com*. For a General Purpose Loan, you'll receive the check in the mail after you model the loan. For a Primary Residence Loan, you'll receive a loan application in the mail after you model the loan. Nationwide Retirement Solutions will mail you a check after you complete and return the required documents.

A Loan Fact Sheet, available on our Web site or through our automated phone system, provides additional information.

If you have an unpaid loan pending from your plan account(s) and your employment ends for any reason, the unpaid loan balance becomes due immediately. You must make full payment within 30 days. If you do not repay the loan, the loan will be in default and considered a distribution by the IRS. If the loan is taken from your 401(k) Plan account, the distribution may be considered an early withdrawal (see "Early Withdrawals" later in this chapter). If the loan is from your 457 Plan account, there is no tax penalty for an early withdrawal. A 1099-R tax form reporting the distribution will be issued in January of the following year.

If you are on an approved leave of absence, you may make loan repayments directly with a certified bank check. The check must be made payable to JP Morgan Chase Bank, N.A., Trustee. Please see the Loan Fact Sheet for a thorough explanation of how to pay off a loan.

Special rules apply if you go on military leave. Contact Savings Plus for instructions.

Deemed Distribution of Loan Balances

If a payment has not been received within 90 days, the entire outstanding loan balance, including interest, will be considered a taxable deemed distribution. A 1099-R will be issued by January 31 of the following year. You will not be allowed to take another loan from the same plan until the following tax year. Upon subsequent distribution, the amount of any defaulted loan will reduce the distributable amount of your account balance.

Purchase of Service Credit

Savings Plus allows you to use funds in your 401(k) and 457 plans to purchase service credit from CalPERS, the California State Teachers' Retirement System (CalSTRS), or other defined benefit governmental plans located in California. You may use no more than the amount necessary to purchase the service credit.

If you plan to use Savings Plus funds to purchase service credit, your first step should be to request a cost estimate from CalPERS,

Types of Loans Permitted: General Purpose and Primary Residence

Maximum Loan Period: General Purpose: 5 years
Primary Residence: 15 years

Maximum Number of Loans: Two outstanding loans allowed per plan, as long as one is a General Purpose loan and the other is a Primary Residence loan

Minimum Loan Amount: $5,000

Minimum Account Balance: $10,000

Maximum Loan Amount: The maximum loan amount is the lesser of (i) 50% of your account balance minus your outstanding loan balances from all state-sponsored plans on the date of distribution; or (ii) $50,000 minus your highest outstanding loan balances from all state-sponsored plans within the past 12 months. If your loan(s) request exceeds the limit, the excess loan amount will be considered a deemed distribution and be reported as taxable income.

CalSTRS, or another governmental plan. After you receive your estimate, submit the Purchase of Service Credit Authorization Form to Savings Plus.

Early Withdrawals

In general, you should not withdraw funds from your plan account(s) until you reach retirement age. (See Chapter 5 for more information on your options when you retire.) You also have options if you separate from state service before retiring. (See "Separation from State Service," later in this chapter.) Withdrawing funds early can have adverse tax consequences. You should consult a tax advisor as to your particular situation. Any penalties are not, however, withheld from your payment. The IRS does recognize certain circumstances when early withdrawals are permitted.

Hardship Withdrawals—401(k) Plan

Listed below are the only reasons that qualify as immediate and significant financial hardships for which you may obtain an early withdrawal from your 401(k) Plan account:

- Payment of tuition and related room and board expenses for postsecondary education for yourself, your spouse, children, or dependent (for the following 12 months only);
- Purchase of your primary home (excluding mortgage payments);
- Prevention of foreclosure on or eviction from your primary residence;
- Payment of expenses for medical care described in Section 213(d) of the *Internal Revenue Code* (IRC) incurred by you, your spouse, or your dependents;
- Payment for burial or funeral expenses for your deceased parent, spouse, children, or dependents; or
- Expenses for the repair of damage to your principal residence that would qualify as a casualty deduction from your federal income taxes under IRC Section 165.

The amount you may withdraw is limited to the amount you've actually deferred to your 401(k) Plan account and not any of the interest or other gains your money has earned. The entire withdrawal will be taxed as ordinary income. Refer to the 401(k) Thrift Plan Hardship Withdrawal Form for a thorough explanation of this withdrawal option and tax implications.

Once you make an early withdrawal, you are prohibited from contributing for six months to any 401(k), 457, or 403(b) plans maintained by the State of California.

Unforeseeable Emergency Withdrawal—457 Plan

An *unforeseeable emergency* is defined as a severe financial hardship to you resulting from a sudden and unexpected illness or an accident you or a dependent experience; loss of your property because of casualty; or other similar extraordinary and unforeseen circumstances arising as a result of events beyond your control.

Approval for an unforeseeable emergency withdrawal is not automatic. If approved, you can receive up to the full amount of your account balance.

Once you make an unforeseeable emergency withdrawal, you are prohibited from contributing for six months to any 401(k), 457, or 403(b) plans maintained by the State of California.

Voluntary In-Service Withdrawals—457 Plan Only

If you are an active employee, you may withdraw funds from your 457 Plan account if your total balance does not exceed $5,000 and you meet both of the following requirements:

- You have not contributed to your 457 Plan account in the previous 24 months; and
- You have not received a prior distribution from your 457 Plan account under this provision.

Refer to the 457 Deferred Compensation Plan Voluntary In-Service Withdrawal Form for an explanation of this option and tax implications.

Separation from State Service

If you leave state service to work for another employer, you may be able to roll over the assets in your Savings Plus plan account(s) to your new employer's retirement plan. You must first check to determine whether that employer's plan can accept such rollovers. Once you move assets from your plan account(s) to another employer's plan, you become subject to the rules that apply to that plan. You should consult with the new provider to learn about the details regarding any restrictions and/or tax issues associated with the rollover.

A direct rollover to an eligible plan is reported to the IRS as nontaxable. A 1099-R will be mailed to you by January 31 of the following year.

To move your funds to another employer's eligible plan, complete a Benefit Payment Application.

You also have other options, depending on your age and which plan you're enrolled in:

- **401(k) Plan:** You're eligible for the same payout options as a retiree. All payouts are subject to federal and state income taxes. You may receive payment at age 59½ or older without penalty whether you are working or separated from service. If you receive a payment before you are age 59½, you may be required to pay an additional 10% in federal tax and, if you are a State of California resident, 2½% state tax. Additional taxes may not apply if you retire or separate from service in or after the year you reach age 55, you retire because of disability, you use the payments for medical expenses, or you use the payments for other valid reasons.
- **457 Plan:** You're eligible for the same payout options as a retiree regardless of your age. All payouts are, however, subject to federal and state income taxes.

See Chapter 5 for a description of the payout options available to retirees. Regardless of which plan you're enrolled in, you also have the option to leave the funds in your plan account(s). If you plan to leave the funds in your plan account(s), be aware that once you reach age 70½ and are separated from service, the IRS requires you to start receiving minimum payments.

Choosing Saving Plus Investments

ONCE you've determined how much you want to begin contributing to your Savings Plus account(s), you need to understand the types of investment choices available to you and decide which of those choices best match your goals for retirement. If you don't designate where you want your Savings Plus money invested, your funds will be posted to a fund designated by Savings Plus. The 401(k) Plan and the 457 Plan both offer the same investment choices. The *Investment Guide*, included in the Savings Plus information kit, provides specific information about the individual investment choices available to you. Please consider the investment objectives, risks, and charges and expenses carefully before investing. A prospectus and/or fact sheet contains this and other information about an investment choice. Prospectuses and facts sheets are available on our Web site (*www.sppforu.com*) or by calling Savings Plus at (866) 566-4777. Please read the prospectus and/or fact sheet carefully before investing. If you're an experienced investor, you may wish to enroll in the Schwab Personal Choice Retirement Account®, described later in this chapter.

Remember that you control your investments. You can adjust your portfolio as your needs or preferences change over time, including exchanging existing balances from one investment choice to another or redirecting future deferrals. Log on to the Savings Plus Web site (*www. sppforu. com*) or call our toll-free voice response system at (866) 566-4777 to make adjustments.

The Department of Personnel Administration (DPA), at its sole discretion, may add, remove, or change investment choices at any time. If an investment choice is terminated, no new funds will be accepted into that investment choice. At DPA's discretion, your funds that are invested in the terminated investment choice may be transferred into a replacement investment. Savings Plus will provide notice of any change in investment choice and allow you the opportunity to transfer your assets to another investment choice. This information will be communicated in one or more of the following ways: in a direct mailing to all participants invested in the affected fund; in a newsletter that accompanies your quarterly statement; and on the Savings Plus Web site.

Any earnings from your investment choices will increase your account. Any losses from your investment choices will reduce your account. The fiduciaries of the plans are not liable for any losses that are the result of your investment instructions. We suggest that you consider consulting your own independent financial advisor about how to invest your account if you need professional guidance.

What Kind of Investor Are You?

The *Investment Guide* includes a questionnaire to help you determine your personal investor profile (also available on our Web site). Completing the questionnaire helps you understand your time horizon and tolerance for risk––key factors in determining how you should invest. Then you will be able to select a portfolio that matches your profile.

Your **time horizon** is the amount of time you have to invest to build assets that will provide income during retirement. Generally, that amount is equal to how much time you have until you retire. But there may be factors unique to your situation that affect your time horizon. As you near retirement, you will want to reassess your time horizon to include that period during retirement when you may want to continue accumulating assets. After all, your retirement years may total several decades.

Your **tolerance for risk** is the point at which your concern about market conditions exceeds your level of comfort. Your tolerance for risk is unique to you. However, you may want to balance your tolerance for risk against the knowledge that today's retirees live longer than those of any prior generation. To enhance your quality of life during your retirement years, you must today ensure that your money continues to work as hard as you do.

If you discover later that your risk tolerance is not as great as you once believed, it would be prudent to realign your portfolio with more conservative funds. While it's important to have your money working hard, it's just as important to be comfortable with the investment decisions you have made.

Schwab Personal Choice Retirement Account®

Savings Plus offers a self-directed brokerage account to provide experienced investors an additional choice for managing their plan account(s). Provided by Charles Schwab & Co., Inc., a member of SIPC, the account is called the Schwab Personal Choice Retirement Account® (PCRA).

The PCRA is available for use as a part of your 401(k) Plan and/or 457 Plan, not as a replacement for those plans. For each plan you're enrolled in, you must retain $2,500 or 50% of your total account balance, whichever is less, in the core account. Savings Plus may adjust the minimum total asset amount that you are required to maintain in assets other than your PCRA as a condition of your participation in the PCRA. Savings Plus will notify you if this requirement changes.

Through a PCRA, you can buy or sell a wide range of mutual funds, individual stocks, bonds, and a variety of other investments. Although you will not be limited to no-load, no-fee funds, Schwab does offer more than 1,200 such funds. In some instances, you will pay to the broker any fees, commissions, and expenses related to transactions you perform.

PCRA transactions can take place on any business day that the New York Stock Exchange (NYSE) is open. Trades initiated after hours and on weekends and holidays will be transacted on the next day the NYSE is open.

If you are interested in investing through a PCRA, please download enrollment information from the Savings Plus Web site (*www.sppforu.com*) or call the voice response system at (866) 566-4777 to request a PCRA enrollment kit.

To establish a PCRA, you must complete and return a Participant Limited Power of Attorney (LPOA) application for the 401(k) Plan or the 457 Plan or both. You must also sign a Memorandum of Understanding for each plan in which you enroll. You can request PCRA materials by logging on to the Savings Plus Web site (*www.sppforu.com*) or by calling our voice response system at (866) 566-4777.

Chapter 4 Managing Your Account

When you contribute funds to a Savings Plus account, you are responsible for monitoring your account, submitting changes of address, updating beneficiary designations, adjusting investment choices and deferral amounts, reclaiming unclaimed property, reporting taxable distributions, changing a password or PIN, keeping Web site transactions confidential, and paying Savings Plus fees.

You will receive quarterly statements in the mail within a month after the end of a quarter (quarters end March 31, June 30, September 30, and December 31). All information contained in your participant statement will be considered true and accurate unless you contact Savings Plus within 30 days of receipt.

Reviewing the Maximum Deferral Amount

It's your responsibility to check your maximum deferral amount at least once a year. We advise you to discuss your deferral limitations and these calculations with a qualified tax advisor if you have questions. The Savings Plus Program does not provide tax advice.

In case of an overdeferral, Savings Plus will refund you the amount over-deferred plus any earnings, and an IRS form 1099-R will be issued in January of the following year.

Submitting Changes of Address

If you're currently a state employee and contributing to a Savings Plus account, submit address changes directly to your departmental personnel office. If you're retired, separated from state service, or have stopped contributing, you may make address updates on the Web site or you may notify Savings Plus directly at (866) 566-4777 (press *0 to speak to a customer service representative). If you prefer to send a letter, include your Social Security number, daytime telephone number (including area code), and your former and new addresses. Mail your request to:

Savings Plus Program
1800 15th Street
Sacramento, CA 95814-6614

Updating Beneficiary Designations

You may access your account online to see whom you designated as your beneficiary or beneficiaries. That information is also printed at the bottom of your quarterly statement. To make a change, complete a Beneficiary Designation Form and submit it to Nationwide Retirement Solutions. Forms are available on the Savings Plus Web site (*www.sppforu.com*) or through the voice response system at (866) 566-4777.

Adjusting Investment Choices and Deferral Amounts

You have lots of flexibility in managing your plan account. To change your investment choices and/or the amount you contribute, simply access your account through our Web site or toll-free automated voice response system. All transactions are secure and confidential. You can also speak to a customer service representative if you need assistance.

Here are the key terms you'll need to know when making changes to your account:

- **Deferral** is the amount deducted from your paycheck and deposited in your plan account(s). You may change the amount of your deferral at any time.
- **Allocation** refers to how you choose to have those deferrals invested. You may change your allocation choices at any time.

- **Exchange** is the term for moving all or some of the assets in your plan account to a different fund choice. You may exchange funds subject to the rules, limits, and procedures established by Savings Plus and the investment funds. It's important to remember that when you exchange funds (transfer assets already in your account), your allocation (where future deferrals are deposited) is not affected.

Deferral changes made by 1:00 p.m. (PT) on the last business day of the month are effective with the next pay period. For example, if your request is made in April, your change will be effective with the check you receive in early June (for the May pay period).

Allocation changes take effect on the next business day. For example, if you request an allocation change by 1:00 p.m. (PT) on April 30, the deductions from the paycheck you get at the beginning of May (for the April pay period) will be deposited according to your new allocation.

But if you request an allocation change and a deferral change on the same day, each change will update at different times. In other words, if you change your allocation and deferral amount by 1:00 p.m. on the last business day in April, your deferral change will be effective with the check you receive in early June (for the May pay period). However, your allocation change will be effective on May 1.

Exchange requests completed by the close of the NYSE are effective the same day. Normally, the NYSE closes at 1:00 p.m. (PT), 4:00 p.m. (ET). After that time or on nonbusiness days, requests are effective the next business day.

Reporting Taxable Distributions

If you receive a distribution (i.e., payment) from your plan account, it's important that you provide current tax reporting information. Taxes will be reported in the state where your residential address is listed. You may change your federal withholding as permitted by the Internal Revenue Service by submitting a completed W-4P directly to Nationwide Retirement Solutions. No state tax will be withheld unless you submit a completed DE-4P for the State of California directly to Nationwide Retirement Solutions. If you live outside the United States, the law requires a mandatory 30% federal income tax withholding regardless of the payment period. You will receive a detailed notice containing tax information when you request a distribution.

Reclaiming Unclaimed Property

Dormant accounts are turned over to the State of California pursuant to the Unclaimed Property Law. An account is considered dormant if you do not, within three years after Savings Plus sends notice to your last known address that you are eligible for a distribution, accept the distribution, correspond in writing concerning the distribution, or otherwise indicate an interest in your account as required by the State of California's Unclaimed Property Law (*Code of Civil Procedure,* Section 1500 et seq.). If your Savings Plus assets are turned over to the state, you'll need to file a claim with the State Controller's Office to reclaim your unclaimed property.

Changing a Password or PIN

The Savings Plus Web site and phone system each require a separate password and PIN for account access. Your online password must be 8 to 20 characters (numerals and letters). The phone system requires a 4-digit PIN (numerals only). To change your online password, log on to *www.sppforu.com* and follow the Web site's prompts. (For User Name, enter your Social Security number. The User Name is not your password.) To change your telephone PIN:

- Call (866) 566-4777;
- Enter your current PIN;
- Select option 2; and
- Follow the prompts to create a new PIN.

Qualified Domestic Relations Orders

A Qualified Domestic Relations Order (QDRO) is a court order that creates or recognizes the existence of the right of a payee's spouse or dependent to receive all or a portion of the benefits payable to a participant under a 401(k) Plan or 457 Plan. A QDRO, if approved, will establish a separate account for the alternate payee, the party entitled to receive a portion of the participant's account value. Assets held in the participant's PCRA account and assets invested in other options are subject to assignment to an alternate payee through a QDRO. Refer to the Savings Plus Web site (*www.sppforu.com*) for further information regarding a QDRO.

Keeping Web Site Transactions Confidential

The Savings Plus third-party administrator, Nationwide Retirement Solutions, protects your account information by using the strong security encryption protocol, a method known as 128-bit Secure Sockets Layer.

In addition, when you're logged on to your account, the Web site automatically disconnects your session if you don't actively use it for 15 minutes.

You also have a role in ensuring that your plan account information remains confidential. When you're logged on to your account, be sure to click "Log off" or close your browser before leaving your computer unattended. Don't share your password with anyone or leave it in places where it can easily be found. You should change your password regularly.

Protect your online password and voice response system PIN as you would any valuable piece of property.

Getting Forms and Publications

There are two easy ways to access or request Savings Plus forms and publications:

- **Web site (*www.sppforu.com*):** For forms and publication you can print out, go to "Plan Info & Forms" and select "Forms and Publications."
- **Phone (866) 566-4777:** To request that a form or publication be sent to you by way of first class mail, enter your Social Security number and PIN and press 4, then 5.

Paying Savings Plus Fees

Fees collected from participant accounts provide funding to administer the Savings Plus Program. Savings Plus charges each account—401(k) and 457—an administrative fee on the basis of the market value of the account at the end of the third week of each month (see Table 4-1).

Table 4-1
Monthly Administrative Fees

If the value of your account is:	*Your fee is:*
$0.01 – $1.99	Equal to account value
2.00 – 19,999.99	$2.00
20,000.00 – 34,999.99	2.40
35,000.00 – 49,999.99	2.70
50,000.00 – 99,999.99	3.00
100,000.00 and more	4.05

Transaction Fees

- A $2 fee will be deducted from each periodic payment issued by check.
- A $50 loan initiation fee will be deducted from the loan amount.
- A QDRO processing fee will be deducted at 1% of the total asset value of your account on the court award date up to a $200 maximum.

When You Retire or Separate

You have several options when you retire or take a job outside state service. Table 5-1 summarizes those options.

Age Requirements

- The 401(k) Plan has a minimum age requirement for payments made directly to you. If you receive a payment before you are age 59½, you may be required to pay an additional 10% federal tax and, if you are a State of California resident, a 2½% state tax. These additional taxes may not apply if you retire or separate from service in or after the year you reach age 55, you retire because of disability, or you use the payments for medical expenses.
- There are no minimum age requirements to take a payout from your 457 Plan. Funds may be distributed from your account after you retire or leave state service.
- All payments from either plan are subject to federal and state income taxes.

Taking Distributions

In addition to the information in this handbook, you need to review the Benefit Payment Booklet. The booklet explains your options in greater detail. You can download this publication from our Web site (*www.sppforu.com*). Or call our automated voice response system at (866) 566-4777 to request that it be mailed to you.

Once you decide which option (or options) works best for you, complete the Benefit Payment Application and submit it within 30 to 45 days before the date on which you want Savings Plus to distribute the funds to you, to your IRA, or to another employer's plan.

Leave Funds in Savings Plus

You may leave your funds in your Savings Plus account(s) and continue to manage your investment choices. However, you may not leave the funds in your account(s) indefinitely. After a certain age you are required by the IRS to start receiving annual distributions from your 401(k) Plan and/or 457 Plan under a life-expectancy calculation. The *required beginning date* is April 1 of the year following the year in which you reach age 70½ or retire, whichever occurs later. These distributions are referred to as *required minimum distributions*. We'll send you a letter of notification if you're not receiving the distributions required by the IRS. These annual payments are issued by the end of each year. Be sure to inform us of any changes of address.

When you receive our letter of notification, you have the option of delaying your first required minimum distribution

Table 5-1
Options When You Retire or Separate

Options	*401(k)*	*457*
Leave Funds in SPP	Available	Available
Receive Periodic Payments • Fixed period • Fixed amount • Required minimum distribution	Available	Available
Receive Supplemental Payments	Available	Available
Withdraw Funds Directly	Available	Available
Roll Over to an IRA or another employer's plan	Available	Available*

*Potential tax implications if you withdraw funds from IRA before age 59½.

until April 1 of the year following the year you reach age 70½. However, if you delay, you will be required to receive two payments the following year, one in March and another in November. Since these payments are taxed as income, the delay could result in a higher tax liability.

A 1099-R form will be mailed to you by January 31 of the year following your payment. (For more tax information, see "Tax Withholding" at the end of this chapter.)

If a required minimum distribution is not paid in the year that it's due, you may be subject to additional taxation and/or penalty. For more information, please consult IRS Publication 575, *Pension and Annuity Income*, and IRS Form 5329, Additional Taxes on Qualified Plans (Including IRAs) and Other Tax-Favored Accounts.

How Much Is the Required Minimum Distribution?

Your minimum payment amount is calculated by dividing the balance of your 401(k) Plan and/or 457 Plan account(s) on the previous December 31 by your life expectancy, which is based on only one of the following standards:

- The Uniform Lifetime Table will be used if you do not designate a beneficiary, if your spouse is your beneficiary and is 10 or fewer years younger than you, or if your sole beneficiary is not your spouse.
- The Joint Life and Last Survivor Expectancy Table will be used if your spouse is your sole beneficiary and is more than 10 years younger than you. You must provide proof of your spouse's date of birth.

You can obtain these tables from IRS Publication 590 (revised January 2004) by checking the IRS Web site at *www.irs.gov.* (Different rules apply after your death.)

Receive Periodic Payments

This option allows you to choose one of the following types of payment from your plan account(s): fixed period, fixed amount, or required minimum distribution. (For tax information, see "Tax Withholding" at the end of this chapter.)

Fixed Period

You may choose to receive monthly or annual payments over a fixed period of time. Your payments are calculated by dividing your account balance by the number of payments you want to receive. Your payments will be recalculated each month (if you choose a monthly payout) or each year (if you choose an annual payout) so that your account balance will be exhausted at the end of your payment schedule. Your payments may increase when you reach age 70½ if they're less than the minimum distribution amount required by the IRS.

Fixed Amount

This option allows you to designate a specific dollar amount to receive monthly or annually. The minimum payment period is one year. Your payments may increase when you reach age 70½ if they are less than the minimum distribution amount required by the IRS.

Required Minimum Distribution

You may select this annual payment option in the year you reach age 70½ or the year you retire, whichever is later. You may delay your first of these payments until April 1 of the year following the year you reach age 70½. However, if you delay, you will receive one minimum payment in

Retirement Checklist

To arrange for your payout, you need to:

☑ Obtain the Benefit Payment Booklet; and

☑ Mail your completed forms to the Savings Plus third-party administrator, Nationwide Retirement Solu-

March and another one in November of the following year. Since these payments are taxed as ordinary income, the delay may result in a higher tax liability.

If you receive periodic payments, be aware of the following information:

Check fee—There is a $2 fee, which is deducted from your payment for each check issued. If you choose to receive your periodic payments by direct deposit, no fee is charged.

Changing or stopping payments—You may change your periodic payment method (annual or monthly) or payment period (fixed amount or fixed period) at any time. You may stop periodic payments at any time if you are younger than age 70½. Payment changes are effective within 45 days after you submit a new Benefit Payment Application.

Receive Supplemental Payments

This option allows you to withdraw additional monies at any time you are receiving periodic payments. The supplemental payment will be processed in the same manner and by the same method as your periodic payment. If you do not elect a 100% distribution, the distribution will not disrupt your current periodic distribution method. A supplemental payment will reduce the amount of your future fixed-period payments or the number of remaining fixed-amount payments.

Withdraw Funds Directly

This option allows you to specify, at any time, a dollar amount or percentage of your funds that you want to withdraw. The payment is made directly to you and is reported as ordinary income. A 1099-R will be mailed to you by January 31 of the year following your payment. (For more tax information, see "Tax Withholding" at the end of this chapter.)

> ***Note:*** Refer to IRS Publication 575, *Pension and Annuity Income*, and IRS Publication 590, *Individual Retirement Arrangements (IRAs)*, for additional information on distributions (payments) from your retirement account(s).

Roll Over to an IRA or Another Plan

This option allows you to move (roll over) a percentage or dollar amount of your Savings Plus account(s) to an IRA or another employer's plan. Your funds will become subject to the rules that apply to IRAs or another employer's plan. Check with the receiving provider regarding any transfer fees, administrative fees, or restrictions on your funds.

If you're considering rolling over funds from your 457 Plan account, consider whether you may need to withdraw the funds from the IRA before age 59½. If you do, you may incur a 10% federal tax penalty; and if you reside in California, you may also incur a 2½% state tax penalty.

If you are 70½ or older and roll over your plan account funds, Savings Plus will pay you your required minimum distribution for the current year before processing the rollover.

A direct rollover to an IRA or another employer's plan (that is, the payment is made payable to the provider) is reported to the IRS as nontaxable. A 1099-R will be mailed to you by January 31 of the following year. (For more tax information, see "Tax Withholding" at the end of this chapter.)

Tax Withholding

Federal income taxes will be withheld on the basis of the payment option you select, the length of time you choose to receive payments, and the requirements of applicable federal laws. For a full description of federal tax implications refer to your local IRS office, the IRS Web site at *www.irs.gov*, or the IRS Tax Forms Distribution Center, telephone 1-800-TAX-FORM (1-800-829-3676). You can also check the Savings Plus Web site at *www.sppforu.com* or call Savings Plus at (866) 566-4777 and press *0 to speak to a customer service representative.

State income taxes are not withheld unless you request otherwise by completing a DE-4P. If you live outside California, consult your local taxing authority for more information. To obtain a DE-4P form, check the State of California Employment Development Department Web site at *www.edd.gov* or the Savings Plus Web site at *www.sppforu.com* or call Savings Plus at the telephone number noted previously.

1099-R tax document—Payments made directly to you will be reported to the IRS as ordinary income. Payments to an IRA provider or an employer's plan are reported to the IRS as nontaxable. The Savings Plus third-party administrator, Nationwide Retirement Solutions, will mail you a 1099-R by January 31 of the year following any payment to you or a provider.

If You Have a PCRA

If you're a Savings Plus participant receiving distributions and you're enrolled in the self-directed brokerage account (Schwab Personal Choice Retirement Account®), you must retain in your core account either $2,500 or 50% of your total account balance, whichever is less, plus enough to cover the upcoming three months of distributions. This requirement applies to both the 401(k) Plan and 457 Plan.

Savings Plus will review your core account balance on a regular basis to ensure it contains sufficient assets to cover upcoming distributions. Nationwide Retirement Solutions will notify you if a transfer of funds to your core account is required. If a transfer is necessary and you don't transfer the funds within the required time, PCRA assets will be liquidated and transferred to your core account to cover the amount needed for the upcoming 12 months of distributions.

Glossary

THE following definitions of technical terms are the common-use versions used by Savings Plus. These definitions do not represent legal or formal definitions.

401(k) Plan—A retirement plan governed by Section 401(k) of the *Internal Revenue Code*. Also referred to as a 401(k) Thrift Plan.

403(b) TSA—A retirement plan for teachers and employees of nonprofit organizations authorized by Section 403(b) of the *Internal Revenue Code*. Also known as a tax-sheltered annuity or TSA.

457 Plan—A retirement plan governed by Section 457(b) of the *Internal Revenue Code*. Also referred to as a 457 Deferred Compensation Plan.

Account—The record of transactions for all of a participant's investments. A participant may have a 401(k) Plan account and/or a 457 Plan account.

Age-Based Deferral—An additional deferral amount that you can have deducted from your paycheck and deposited in a 401(k) and/or a 457 plan account beginning in the year you reach age 50.

Allocation—The investment options in which you choose to have your payroll deductions deposited. A change in an allocation affects where future deductions are deposited, not where you previously had the funds invested.

Beneficiary—A person or entity that receives funds from a 401(k) account and/or a 457 account upon the death of the 401(k) and/or 457 plan account holder.

Catch-up Deferrals—Additional amounts that you may defer to a 457 plan to make up for previous years when you didn't defer the maximum allowable amount. Deferrals may not begin earlier than the year you attain age 47.

Core Account—Refers to the portion of a participant's account that is invested in any of the investment options offered in the Savings Plus portfolio, excluding the self-directed brokerage option (PCRA). The term is used primarily for Savings Plus participants enrolled in the PCRA to distinguish funds held in their core account from funds held in their PCRA account.

Deferral—The amount deducted from your paycheck and deposited in your 401(k) and/or 457 plan account.

Deferred Compensation Plan—A type of retirement plan in which the employer allows employees to invest a portion of their income in investment options offered by the plan. The employee does not pay taxes on this income until it's withdrawn at a later date, generally during retirement.

Direct Deposit—Refers to electronic fund transfers, as in having your check deposited electronically in your bank in lieu of receiving a paper check.

Distribution—An amount paid out of your plan accounts. Also called a payout or payment.

Exchange—Moving assets that are already in your plan account from one investment choice to another. An exchange does not affect where future deferrals are invested.

Individual Retirement Account (IRA)—An individually owned tax-deferred retirement savings account.

***Internal Revenue Code*—**The body of law containing federal tax provisions.

Normal Retirement Age—Defined by Savings Plus as age 50.

Payout—A payment from the Savings Plus Program. Also called a distribution.

PCRA—Personal Choice Retirement Account. This is a self-directed brokerage account provided by Charles Schwab & Co., Inc., and offered through the Savings Plus Program. Participants choosing to enroll in a PCRA are allowed to manage investments in their 401(k) Plan and/or 457 Plan.

PST Employees Retirement Program—A mandatory retirement program for part-time, seasonal, and temporary (PST) state employees who are not covered by CalPERS or Social Security.

Required Minimum Distribution—Pursuant to IRS requirements, the distribution amount that must be paid to a participant who is age 70½ and has separated from service. There are also required minimum distribution requirements for beneficiaries.

Rollover—A transfer of funds from one eligible retirement plan to another.

State Employee—An employee who might be eligible to enroll in the Savings Plus Program. Includes employees of the State of California, the California State University, and the California State Legislature.

Thrift Plan—The 401(k) Plan within the Savings Plus Program.

Trust—A legal arrangement through which title to plan assets is given to one party to manage for the benefit of others.

Voice Response System (VRS)—Automated phone system that allows you to access your account information, perform account transactions, and request Savings Plus materials. Account access requires a PIN.

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SAVINGS PLUS PROGRAM

expanding your retirement horizons

State of California
Department of Personnel Administration
1800 15th Street
Sacramento, CA 95814-6614

Voice Response System: (866) 566-4777

Public: (916) 322-5070 • CALNET 492-5070

TTY: (800) 848-0833

Fax: (916) 327-1885 • CALNET 467-1885

DPA Web Site: *www.dpa.ca.gov*

Savings Plus Program Web Site: *www.sppforu.com*

The third-party administrator for Savings Plus is Nationwide Retirement Solutions.

All information is current as of the date this handbook was printed. The plan administrator reserves the right to amend any of the procedures or plan provisions as outlined in this handbook or the official plan document to conform with governing laws or *Internal Revenue Code and Regulations* issued subsequent to the publication of this handbook. Such changes may be enacted without prior announcement or the express consent or agreement of plan participants. If there is any contradiction between the terms of the official plan document and this *Summary Plan Description,* the official plan document will govern.

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